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# **Challenges for Third Sector Organisations in cutback management: a sporting case study of the implications of publicness**

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# **Challenges for Third Sector Organisations in cutback management: a sporting case study of the implications of publicness**

## **Abstract**

Cutback management is a key theme for public services in an era of austerity, but the responsibilities for implementing public funding cutbacks do not always fall upon managers employed in the public sector. This article focuses on the cutbacks at third sector organisations (TSOs) - three national governing bodies (NGBs) of sport - which were affected by UK Sport's 'No Compromise' policy following the 2012 Olympics. The article introduces the public funding cutback decision hierarchy as a novel framework which is used alongside existing theory to assess the implications of the severity and immediacy of cutback.

Keywords: Sport; cutback; publicness, third sector

## **Introduction**

In the era of austerity that followed the 2008 financial crisis, cutback management has re-emerged as a key theme in the public management literature (Raudla et al. 2015). Despite this, there is a paucity of empirical research in this specific type of change management, especially on decision-making and the role of 'public managers' in cutback (Schmidt, Groeneveld, and Van de Walle 2017). In addressing this research gap, it is important to undertake research studies of cutback situations occurring in different public settings then update knowledge using new case study findings. This paper adds to the evidence base using a case study from sports management to inform theory development. The question for this paper is 'how are cutbacks implemented when third sector organisations are responsible for making them?'

In recent decades, sport has become increasingly drawn into the arena of New Public Management (NPM) to align with government policies (Sam 2009). Sam describes how

institutional infrastructures have been developed in which National Sport Organisations (NSOs) play a key role at both elite and grassroots levels. Performance regimes have been developed for elite sports to achieve success at major sporting events (specifically Olympic and Paralympic Games) to contribute to public policy goals, including intangibles such as ‘national pride’ (DCMS/Strategy Unit 2002). As a result, elite Olympic sport is now receiving unprecedented levels of public funding, yet the results-focused regime also makes such funding less secure (Green 2006, 2008; Green and Houlihan 2006).

In the UK, the Department of Culture, Media and Sport (DCMS) oversees the allocation of Exchequer and National Lottery funds to executive non-departmental public bodies sport organisations (Greve, Flinders, and Van Thiel 1999): (1) ‘UK Sport’ accountable for elite Olympic/Paralympic funding, and; (2) ‘Sport England’, ‘Sport Scotland’, ‘Sport Wales’ and ‘Sport Northern Ireland’ accountable for grassroots participation (DCMS 2018). In 2016/17, UK Sport received £127m from these sources and Sport England £309m (National Audit Office 2017; Sport England 2017; UK Sport 2017). These funds are then distributed to the NSOs for each sport, called national governing bodies (NGBs) of sport, which are usually third sector organisations (TSOs) legally structured as private companies limited by guarantee without share capital (Monzon and Chaves 2008). There are currently 20 NGBs funded by UK Sport, with allocations for the Olympic cycle leading up to Tokyo 2020 ranging from £630,000 for Archery, Badminton, Karate and Sport Climbing to £32.5m for GB Rowing (UK Sport 2018). When the distinct roles of UK Sport and the four home nation distributing bodies emerged in the mid-2000s, most Olympic/Paralympic sports set up a UK-wide NGB to focus on elite sport, as athletes compete as part of the Great Britain team in the Olympics/Paralympics, leaving the home nation NGBs (England, Wales, Scotland, Northern Ireland) responsible for grassroots participation. The institutional infrastructure for sport is therefore complex and characterised by a high degree of ‘publicness’ (Bozeman 1987;

Pandey 2010) because of its reliance on public funding and responsibility for government policy. This is the case in frontline NGBs - responsible for each sport – even though they are not constitutionally part of the public sector.

Since 2006, UK Sport has adopted a ‘No Compromise’ policy in allocating funding to NGBs, rewarding winners and punishing losers. This strategy not only targets “resources solely at those athletes/sports that are capable of delivering medal winning performances” (UK Sport 2006, 1) but also enables UK Sport to withdraw funding from those NGBs that fail to achieve performance targets when planning for the next Olympic funding cycle (Green 2009). Therefore, while UK Sport has been able to allocate £265.2m to NGBs for the 2020 Tokyo Olympic Games (UK Sport 2017), eleven NGBs have now lost all government funding for elite athletes since London 2012. Organisations that have lost funding because of the ‘No Compromise’ policy make good field sites for empirical research into cutback management.

This case study researches three NGBs who lost part or all their funding after London 2012 and therefore faced a cutback situation because of severe and immediate funding reductions (Jick and Murray 1982; Behn 1983). Each NGB received between £1 and £3m from UK Sport in the London Olympics Cycle (2009-2012), employing a small team of core staff and contracting out services for other specialist staff to support elite athletes. They all lost 90% or more of that funding in the following cycle (2013-2017). The cuts were announced in December 2012 and took effect from January 2013, leaving no time for adjustment. Thus, the cutbacks required were extreme both in terms of severity and immediacy.

Schmidt, Groeneveld, and Van de Walle (2017) suggest that a change management perspective enhances understanding of cutback management by focusing on the roles and actions of public managers (hitherto neglected in the cutback literature). They propose a five-

factor framework for analysis, drawn from the public change management literature, incorporating context, content, process, outcomes and leadership. This framework will be used to theorise our analysis. The five factors are highlighted in the narrative using italics, so they stand out.

The following section sets out the context to the research by reviewing the literature on cutback management and the contextual characteristics of sports governance in the UK. This is followed by an outline of methods which includes descriptions of the sampling and interview strategies for data collection. After the findings section, the discussion and interpretation links the themes and sub-themes from our analysis to Schmidt, Groeneveld, and Van de Walle's (2017) five cutback factors. Then, the wider implications for cutback management by TSOs are considered. The final section reviews the theoretical and practical contribution of the study, with proposals for further research.

### **Cutback management literature and the research context**

The purposes of this section are threefold. First, it briefly reviews the existing literature on cutback management highlighting literature gaps and the potential contribution to knowledge from our study. Second, it introduces the key theoretical frameworks which inform the analysis and interpretation of findings. Finally, it identifies how the discrete characteristics of sport affect a cutback situation to contextualise the selected case studies in relation to other public management cutback challenges.

Three literature streams on cutback management have been identified (Cepiku and Savignon 2012; Raudla et al. 2015; Schmidt, Groeneveld, and Van de Walle 2017) covering: (1) public administration perspectives on cutbacks in the 1970s and early 1980s; (2) contemporary public management literature on managing austerity after the global financial crisis of 2008, and; (3) generic literature on organisational decline. Of particular relevance to

this study, and in the second literature stream, recent studies have focused on public management responses to austerity (Ghin, Hansen, and Kristiansen 2017) and the reform of the public sector in response to current challenges (Van de Walle and Groeneveld 2016).

Studies have identified that the *process* of public management cutback requires top-down, centralised budgeting and decision-making (Randma-Liiv and Bouckaert 2016; Raudla et al. 2015). However, it also often involves a ‘hierarchy of delegation’ (Ghin, Hansen, and Kristiansen 2017, 248) in which centralised target setting is accompanied by decentralised powers over implementation. Budgets are set at each stage, but there is typically a measure of delegation downwards in terms of how services are prioritised to stay within the reduced budget (Randma-Liiv and Bouckaert 2016). When the effects of cutback reach the service delivery level, it is often at the end of a series of decisions on resource allocations, taken sequentially at different levels and in a hierarchical pattern. However, the focus of recent research has typically been on central government policy (Ghin, Hansen, and Kristiansen 2017; Van de Walle and Groeneveld 2016), and human resource strategies (Esteve et al. 2017; Kim 2018; Park 2018), with less attention to cutback management on the front line. A recent cutback management study which did focus on the service delivery level commented on the lack of systematic research at the agency and ‘street level bureaucrat’ level in fiscal crisis (Savi and Cepilovs 2017).

This hierarchical pattern might be conceptualised holistically as a decision hierarchy or, from the perspective of a front-line service being cut back, a decision chain. In the case of elite sport in the UK, the Department for Culture, Media and Sport allocates funding to UK Sport, which then funds NGBs to run programmes for elite athletes. This decision hierarchy crosses institutional boundaries, and, also, a sectoral boundary from public to third sector when UK Sport funds an NGB. The transmission of budgetary decisions across organisational boundaries can be conceived in terms of principal-agent theory (Coase 1937;

Van Thiel 2016) because the principal passes responsibility for the next stage in cutback to the agent and enforces it. Principal-agent theory is a useful lens for this research because of the asymmetric power relationship between UK Sport and the NGBs (Grix and Phillpots 2011).

A major literature focus to date has been on the *content* of cutback strategies, in terms of where the cuts fall. Raudla et al. (2015) contrast across-the-board approaches with targeted cuts, listing a wide range of terms used to describe these two approaches. Schmidt, Groeneveld, and Van de Walle (2017) add a third approach by drawing on the work of Pollitt (2010), namely organisational changes aimed at increasing efficiency. This third approach is akin to the popular phrase ‘do more with less’ (Hood 1991; Esteve et al. 2017) and efficiency is one of the three Es, alongside effectiveness and equity, which have commonly been used for assessing the performance of public services (Savas 1978; Andrews and Entwistle 2010). The focus of cutback, and the issues to consider under each of these aims, draws from a range of different cutback management sources (summarised in Table 1). The three Es act as a theoretical framework for analysing the aims and intended *outcomes* of cutback in our case study and relating them to the *content* of cutback.

### **Insert table 1 here**

Sam (2009) explored the characteristics of sport from a public management perspective, highlighting key issues for cutback *context*. He reviewed some recent changes in the sector, such as growing government involvement, a move to contractual relationships between partners from ‘handouts’ to ‘handshakes’ and encouragement of a more commercial approach. These changes are a product of NPM. As a result, he characterised sport policy dilemmas as ‘wicked problems’ because they are uncertain, complex and intractable (Sam, 2009). ‘Wicked problems’ are pervasive across social policy fields (Rittel and Webber, 1973), suggesting that dilemmas in cutback management in sport should have parallels in



other areas of government.

Table 2 draws on literature about organisational sport management, public management, cutback management and turnaround. It suggests that there are some specific characteristics of the *context* within which NGBs operate which will influence their approach to cutback and the first of these is the publicness of sport. Application to NGBs is based on Bozeman's (2010) conceptualisation of publicness - the extent to which organisations are endowed or constrained by political authority. This characteristic is not unique to sport. Under NPM, TSOs, as well as private sector contractors, have had an increasing role in delivering public services (Guo and Ho 2018; Park 2018). In undertaking such roles, they have increased their publicness (Hood 1991; Randma-Liiv and Bouckaert 2016). While the role of TSOs in the delivery of public services has been extensively studied (Macmillan 2010; Rees and Mullins 2016), it has been neglected in the cutback literature.

### **Insert table 2 here**

Other characteristics of sport, reported in Table 2, vary in the extent to which they provide degrees of uniqueness. Perhaps the most unique characteristics are the networks of clubs who organise leagues voluntarily and the attachment of fans to a culture of winning. All public services are constrained by policy frameworks, lack of credible alternatives, stakeholder diversity and measures of performance (Rainey and Chun 2007), so insights from the study of NGBs should have many transferable elements.

To summarise this section, there is a gap in the cutback management literature at the 'sharp end' of front-line service delivery, so the role of TSOs in these cutback situations has been neglected. Therefore, this article will investigate the five factors in cutback management (Schmidt, Groeneveld, and Van de Walle 2017) at the 'sharp end' of a public cutback

decision hierarchy where the responsibility for cutback has been passed to TSOs with a high degree of publicness, in the form of NGBs. The analysis of the *context* of sport suggests that empirical research into NGBs may generate insights into public management cutback situations beyond sport.

### **Method - A case study approach**

Interviews were conducted with individuals in different roles within a purposively selected sample of three NGBs affected by the ‘No Compromise’ funding formula. As referred to in the Introduction, these NGBs lost all or over 90% of their UK Sport funding. In all three cases, the UK Sport funding accounted for over 70% of their total income. This multi-organisation approach was adopted to enable similarities and differences between NGBs to be explored and hence enhance the transferability of research findings to different contexts, both within sport and to other fields (Denzin and Lincoln 2005). The constitutional position of the three NGBs as TSOs is the focus of our analysis in addressing the research question ‘how are cutbacks implemented when third sector organisations are responsible for making them?’

Purposive sampling permits the researchers to gather information from sources at the heart of the phenomena being researched (Farquhar 2012). To explore the nature and consequences of cutback, three types of individual directly involved with the elite programme were selected within each NGB (Creswell 2015; Farquhar 2012). The CEO/President (CEO) was selected for their central role in decision-making and leadership, performance managers/head coach (PM) for their role in implementing cutbacks, and elite athletes (Ath) to gauge the impact on those directly affected by decision-making processes. This approach allowed an examination of the complexities of roles in stakeholder terms within the NGBs, including individuals with different *leadership* positions and different perspectives on cutback management.

Face-to-face semi-structured interviews explored the cutback issues in everyday language through questions like ‘Were you expecting the funding reduction when it was announced?’ and ‘What decisions did your NGB make in relation to the funding and how did it affect you?’ The interviews generated insights into the meanings that individuals ascribed to their experience to develop a narrative of what was happening in each organisation (Jørgensen and Phillips 2002; Burr 2003), linking initial cutback to the wider turnaround effort (Boyne 2004). Each CEO/President and athlete was interviewed three times in the year following the implementation of the funding cuts. Performance managers/head coaches were interviewed once each. A total of 21 in-depth interviews were conducted by the lead researcher between May 2013 and October 2014, with the shortest lasting 55 minutes and the longest 115 minutes. Where interviewees were seen more than once, the second and third interviews consciously built upon previous discussions. The anonymity of respondents and NGBs in this article is maintained to satisfy agreements on confidentiality.

Interviews were recorded and transcribed verbatim. Once transcribed, a framework was developed through a process of continuous thematic analysis, assisted by NVivo 12, to establish and refine a hierarchy of macro-themes, themes and sub-themes within the research data. ‘A priori’ macro-themes of retrenchment, reorganisation and repositioning (3Rs), based on the wider public service turnaround literature (Author citation; Boyne 2004) were used initially to structure the data analysis. However, cutback management emerged inductively as an additional macro-theme from this process (Braun and Clarke 2006; Corbin and Strauss 2015), as much of the data related to cutback as a preliminary process **before** the ‘3Rs’.

## **Findings**

Within the macro-theme of cutback management, the research identified two main themes, each with a number of sub-themes. Themes and sub-themes are highlighted in bold in this

section. The first theme concerned the **severity and immediacy** of the cuts affecting the Great Britain NGBs, including participants' reactions to the cuts. The second theme of **responsibility** was linked to the breakdown in communication with the 'home nation' NGBs responsible for grassroots organising. This breakdown resulted in the collapse of support and accountability for the future of the elite pathway in each sport. An overview of the key findings of the thematic analysis in relation to cutback management is listed in Table 3, with a quotation for each sub-theme as an example of the underpinning evidence. Table 3 also indicates the NGBs in which evidence for each sub-theme was identified. This shows that NGB2 was less affected than the other two NGBs.

**Insert table 3 here**

### ***Cutback implications – Severity and immediacy***

The consequence of the funding cuts was to make major, immediate 'efficiency savings' (see Table 1) that reduced costs, balancing expenditure against new income levels to stabilise the financial position of the NGB. NGBs were forced by the severity of the cuts to marginalise issues of effectiveness (goal orientated) and equity (fairness) to focus on **cost-cutting** actions to maximize savings. Figure 1 applies Raudla et al.'s (2015, 443) categorisation of cutback measures to the timeline of key cutback actions by the NGBs during the research period. The early cutback decisions focused around reducing programme costs, while decisions that focused on capital investment and operational costs were, typically, implemented slightly later. Figure 1 also shows that the number of cutback measures undertaken by NGBs 1 and 3 was greater than those implemented by NGB2. From late 2013 onwards, cutback actions were increasingly replaced by retrenchment, reorganisation and repositioning actions, which are not included in Figure 1.

The NGBs' initial cuts were inconsistent with the necessary precursors for a future

turnaround strategy; decisions were not strategic or cognisant of long-term impacts. For example, NGB1 realised that cutting its elite teams had created barriers for talented young athletes. As the CEO of NGB1 explained, ‘[we inadvertently created] a glass ceiling for our players. Where do they go once they hit the top of their age group?’ Even though there was funding to promote youth participation, it became increasingly difficult to attract new athletes as there was little opportunity for talented sportsmen and women to transfer to elite senior squads. We explore this more fully in the **responsibility** theme.

### **Insert figure 1 here**

All the NGBs were aware of the possibility of funding cuts, but their initial response was evidently impaired by a sense of **denial** that the funding cuts could be so severe, despite warnings by UK Sport in the summer of 2012 that some sports might get no funding at all in the next four-year cycle. NGB1 had already begun to put in place cost-saving measures to accommodate reductions from £750,000/year on the basis that they would be ‘over the moon with £100,000 [per year]’. However, their ‘planning was completely wrong - we got nothing’ (NGB1, CEO). Hence, they were forced to undertake drastic, uncoordinated and unplanned responses. NGB3 also suffered from this sense of **denial** as they were hoping for at least some funding as they felt that they had achieved their targets and competed with credibility (see quote in Table 3). This sense of **denial** is partly explained by a historically **inconsistent application of ‘No Compromise’** itself. So, while several NGBs had seen their funding reduced in the past, no sport had ever lost all its funding. In the words of the CEO of NGB2:

All we were asked to do was to compete with credibility. The first indication we had was between the games of the Olympics and Paralympics when Campbell [Sue] said, “For the first time not all sports should expect to receive funding after the games”.

The **severity** of the funding cuts shaped CEO responses; decisions were made to stabilise their expenses as there was a possibility the NGB could become bankrupt. One of the key reasons for this lack of financial stability was that they front-loaded significant

amounts of resources in preparation for the Olympics; they held few reserves to manage the transition to the 2016 cycle (2013 – 2017). For example, NGB2 undertook an ‘immediate readjusting of staffing structures’ and planned to make significant redundancies (NGB2, CEO). NGB1 tried to maintain some form of operation by selling their only non-current asset but their CEO recognised that this was only a short-term solution and lacked long-term sustainability.

The CEOs noted how the **immediacy** of the funding cuts forced them to cancel their elite programmes and immediately remove financial support for elite athletes regardless of ability, level or gender. The CEO for NGB3 explained that the combined **severity and immediacy** of the cuts meant that their organisational response was restricted, shaped by a need to respond as quickly as possible. This unplanned, uncommunicated response had a significant impact on the elite squad: ‘We’ve lost them. They’ll leave the sport, and they’ll go off and do other things. They’re totally disillusioned with sport and the agencies’ (NGB3, CEO).

Paradoxically, these initial deep cuts by CEOs were implemented to keep some organisational capacity for their elite pathways (but one which consumed a much lower amount of resource). However, while this may have appeared rational in the face of severe funding cuts, the CEOs and athletes interviewed acknowledged that the significant cutbacks virtually destroyed their sport’s ability to deliver an Olympic programme. The NGB1 CEO explained that the **severity and immediacy** of the cuts meant that the chances of creating a new elite pathway were ‘Zero! Imagine any business... having 100% of their funding cut. We got £2.3m last time, and we could do certain things, but with zero we can’t do anything’.

NGBs 1 and 3 cut all elite programmes, but NGB 2 had some residual resources, which were used to maintain the core services of the elite programme. While the athletes received virtually no direct financial support, NGB2 was able to maintain a limited

infrastructure, focused on minimal support staff (coaches, performance managers). However, the NGB2 athlete viewed what little support they received as ‘tokenistic’, as the financial burden of participation in the elite programme had shifted away from the NGB to the athletes, the level of support they now received being “Basically nothing, so you have to self-fund yourself” (NGB2, Ath).

Amongst the athletes across all three sports, there was a strong sub-theme of **abandonment**. The athletes directed communications about these feelings towards their NGB’s senior management rather than UK Sport because, ultimately, the funding was withdrawn by the NGB. The athletes understood that it was UK Sport who had reduced/removed the funding, but the athletes saw the NGBs as the organisations accountable for making decisions about implementing the cutbacks and saw a **lack of credibility in the response**. This was especially the case within NGBs 1 and 3 as the cuts were so severe. The athletes only looked one level up the cutback decision hierarchy, even if the NGB leaders’ choices were severely constrained.

### ***Responsibilities for the elite programme***

Coinciding with Great Britain NGBs 1 and 3 withdrawing all financial support for their elite programmes and athletes, the home nation NGBs (e.g. at England level) made the strategic decision to not assume any **responsibility** for senior elite programmes. The home nation NGBs had significant resources for elite junior programmes, but Sport England would only allow the money to be spent on their own priority area of talented/elite junior athletes (Green and Houlihan, 2004). The CEO for NGB3 noted that this ring-fencing of money had always been in place, nevertheless, the restrictions had become tighter, placing significant constraints on all the operational activities of the NGB. However, without a senior elite team, the talented junior athletes would eventually leave the sport, but the home nations chose not to

address this longer-term issue.

It became apparent that this decision not to champion the elite senior programme was due not only to ring-fencing of funding but also to differing organisational objectives and a **lack of communication** between the Great Britain and home nation NGBs. A performance manager pointed to a communication breakdown during the implementation of the cuts, noting that although the sport had begun to put in place the knowledge, skills and learning developed over the previous five years, ‘where people feel let down is the [lack of] communication’ (NGB3, PM). They argued that the cuts created an assumption within both parties that the elite programme was not their **responsibility**. Better communication of roles and responsibilities was essential to understand the implications: ‘I don’t know if they communicated between themselves in terms of really understanding removing funding from elite senior programmes that [sport] would be almost blank, that part of the pyramid is now completely blank and that has implications.’ (NGB3, PM). The CEO of NGB 3 explained that the Great Britain NGB had no funding and hence no programme, but might be able to compete as England as the resource requirements were much lower. However, the CEO went on to state:

It’s just a big elephant sat in the corner of the room that we’re trying to keep something going but who pays for it, how messy does it become, are you sharing that? Are we sharing this? Actually, we still can’t compete.

The views of the athletes from both NGB1 and NGB3 support the sub-theme of a **lack of communication** - both were kept in the dark the about critical cutback decisions that affected them. The lack of information regarding the elite programme, and the decision-making process behind these actions, meant the athletes felt the cutback decisions lacked transparency. There was a lack of consultation with the athletes from their respective NGBs, ranging from them not being party to discussions on the implications of funding reductions to not actually being told of the cancellation of programmes. While NGB2 kept its



communication streams intact, the athlete felt the approach was didactic and that they were unable to challenge the cutback decisions of senior management, as the organisation was facing such a difficult financial situation. The athletes argued that they had been burdened with all the hardships of training for the Olympics Games (some had over £4,000 of debt) and were tied to their sport while staff in paid employment could leave their NGBs and move to other sports. The athletes felt the **lack of communication** so keenly because of their vulnerability:

People who are in charge are in charge of your destiny. So, I can understand it if I was putting the money in myself and we did for the most part. We were keeping the roof over our own heads while we were away in Denmark, Austria and whatever else. We would like to know what their plans are for us and what targets they were setting us, where they are sending us - we simply weren't told anything! (NGB3, Ath)

The home nations were restricted by **inflexible funding**, but many of the athletes perceived the cutbacks and their consequences as being related to past differences and conflicts between Great Britain and home nation NGBs. While all the NGBs were restricted in their actions by the ring-fenced nature of their funding, NGB2 was less exposed, as they were eligible to participate at the Commonwealth Games and therefore able to draw down limited additional funding. This is one of the reasons that NGB2 implemented fewer cutback actions than NGBs 1 and 3.

The athletes and one of the performance managers remarked that, even before the cutbacks, there was little or no **cooperation** between the home nations and the Great Britain NGB (see quote in Table 3). The CEOs interviewed took a more pragmatic view, with one CEO reporting, 'I won't say that they have washed their hands of us as that would be a bit unkind' (NGB3, CEO). They argued that the home nations were heavily restricted due to **inflexible funding** and had to meet specific targets and KPIs: '[Even if] they wanted to help, they probably don't have the resource to do so' (NGB3, CEO). The home nations might be

acting in a ‘rational’ manner because diverting funds to elite programmes would risk underachieving on their other targets. Such goal rigidity drove short-term **operational** behaviour that sought to protect resources and key stakeholders but put in jeopardy the long-term goals of the sport.

### ***Reflections on cutback***

The two cutback themes articulate the central problems faced by the NGBs. Firstly, owing to the **severity and immediacy** of the funding reductions, the cutback actions of the organisations influenced (and placed restrictions on) decisions they were able to make later in their turnaround strategies. Secondly, NGBs linked to the Olympic/Paralympic Games operate within a structure that does not support home nations taking **responsibility** for elite programmes, due to inflexible funding streams and antagonistic stakeholder relationships. The **severity** of the cuts, coupled with their **immediacy**, meant it was almost impossible for NGBs to understand, analyse and evaluate the scope of the problem they faced. This meant that it was difficult to create coherency within their actions, resulting in cutback management actions that were focused on short-term cost-cutting on **operations**, not strategic intentions. This inadvertently hampered the NGBs’ ability to plan for the long-term future of their elite programmes.

### **Discussion and interpretation of cutback in NGBs**

This section interprets the findings from the previous section using the theoretical perspectives introduced in the literature review, with the intention of identifying new insights which differ from, or deepen understanding of, existing knowledge. The first two columns of Table 4 link the cutback sub-themes in our study to the five cutback factors of Schmidt, Groeneveld and Van de Walle (2017), as a basis for the discussion in this section.

#### Insert table 4 here

The key characteristics of our cases in terms of *context* were the draconian nature of ‘No Compromise’ and inflexibilities in the use of funds, which led to extreme cutback with high severity (*content*) and immediacy (*process*). Severity and immediacy have been used before to categorise cutback crises, with Jick and Murray (1982) labelling crises combining high severity and short-term time pressures as ‘Big Bomb’ unanticipated major cuts. Since then, there has been little research conducted that examines the combined implications of these factors within organisations with high levels of publicness (Levine 1979; Greenhalgh, McKersie and Gilkey 1986). To some degree, this may reflect the nature of public sector budgeting, with cutbacks occurring in several different rounds, rather than as one-off actions (Raudla et al. 2015). The usual pattern is that when fiscal stress becomes severe, after several years of cuts, it is more likely that across-the-board reductions will be replaced by targeted cuts. The NGBs briefly attempted targeted cuts but then moved to a broader-based approach, based on cost-cutting across all operations. The notable exception to this was NGB2, where targeting was more feasible, because they had a slightly better residual resource base than the other NGBs. These differences between NGBs illustrate how in very extreme cutback situations the *content* of cutback is necessarily felt across-the-board. For NGBs 1 and 3, a focus on the survival of the organisation through sweeping short-term efficiencies led to a neglect of effectiveness and equity considerations.

In terms of *process*, the broad-based approach was not the result of a carefully thought through strategy. The suddenness of the cuts meant that NGBs could not spend time understanding, analysing or evaluating problems regarding future targets (Finkin 1992; Barker and Duhaime 1997; Walshe et al. 2004). Therefore, the immediate cutback actions concentrated on stabilising the financial position rather than understanding long-term implications (how specifically the NGB will re-engage with UK Sport’s ‘No Compromise’

funding model). This is consistent with the little research that has been conducted that examines the immediacy of funding cuts, with Schick's (2010) observation that any action undertaken by an organisation to respond to immediate financial distress will be 'ad hoc' or 'improvised' in its execution.

The literature on the *leadership* of cutback has highlighted the importance of relationships, whether that be in terms of employee participation (Schmidt, Groeneveld and Van deWalle 2017), aligned values (Esteve et al. 2017) or attitudes to clients amongst street level bureaucrats (Savi and Cepilovs 2017). In the case of the NGBs, denial and lack of responsibility can be identified in the behaviour of leaders, together with a lack of co-operation between the Great Britain and home nation NGBs. Amongst athletes, there were feelings of abandonment and a view that the NGB response lacked credibility – which combined to undermine the relationship with the NGB leaders. These shortcomings in *leadership* behaviours can be interpreted using the 'coping cycle' from change management theory (Carnall and By 2014) in which an early sequence of immobilisation, denial and depression hampers the ability to respond effectively to a crisis. 'Denial and delay' is also a recognised response to fiscal stress in the public cutback management literature, albeit often associated with less severe budget reductions (Kim 2018). In this study, the problems of denial and lack of responsibility were heightened by ambiguities in the roles of Great Britain and home nation NGBs. The home nations wanted to protect their own programmes and were reluctant to get involved, 'passing the buck' for accountability and responsibility (Bovens 2005). This reflects a common theme in cutback practices, to focus narrowly on activities for which there is direct accountability, reducing opportunities for collaborative activities to help service users transfer between organisations (Peters, Pierre, and Randma-Liiv 2011).

The nature of the relationship between UK Sport and the NGBs can be described as a 'principal-agent' relationship (Van Thiel 2016) because power relations favour the principal

at the expense of the agent, and the principal can enforce the budget cuts for which the agent is responsible. There was an attempt by the NGBs at ‘ex-post haggling’ (Van Thiel 2016, 34), but this was ineffective because it posed little threat to UK Sport itself. The NGBs were in a position of weakness which meant that the main *outcome* from the cutback stage was: (1) path dependency towards a less effective role in supporting elite sport, and; (2) decisions that constrained options for a future turnaround effort. In turn, these reduced the likelihood of regaining UK Sport funding. The slightly less severe reduction in resources for NGB2 provided more opportunities for targeting the cuts and retaining some support for elite athletes, highlighting the significance of the other funding source available to NGB2, in a crisis situation where quick decisions had to be made.

Although not public-sector bodies in constitutional (legal) terms, NGBs are subject to the paradoxes of publicness (Pandey 2010) which were magnified in this extreme cutback situation. In relation to the first paradox regarding organisational goals, the loss of UK Sport funding left the NGBs with a long-term near-impossible challenge (to re-establish a credible possibility that podium positions could be achieved) if they were to regain UK Sport funding. This sat alongside a host of other goals, some linked to the second paradox of publicness, to keep employees, volunteers and other stakeholders engaged in their sport. They faced the difficulty highlighted by Pandey (2010) of a trade-off between short- and long-term goals. With regard to the final paradox of publicness, the role of the NGBs illustrates the issue highlighted by Pandey (2010) of performance for public-funded activity being the responsibility of organisations from different sectors. Within this *context*, NGBs might be regarded as victims of a performance management system which held them accountable for targets over which they had very tenuous influence, with performance in Olympic Games being so unpredictable. The NGBs also shouldered the blame for the cutbacks in the eyes of

the elite athletes, a finding that parallels Savi and Cepilov's (2017) study of street level bureaucrats in Estonia and Latvia who were also blamed for centrally-imposed cuts.

This section of the article has demonstrated how the experiences of the NGBs can be related to the five factors in cutback from a change management perspective (Schmidt, Groeneveld, and Van de Walle 2017) and to the paradoxes of publicness in cutback management (Pandey 2010). The evident differences between NGB2 and the other NGBs are related to the marginally less severe and immediate cutbacks required.

### **Cutback management by TSOs**

Discussion in this section is addressed directly to the research question 'how are cutbacks implemented when third sector organisations are responsible for making them? We consider how the case study from sports management can generate insights into the wider issue of cutback management by TSOs in situations with a high degree of publicness. Key challenges for TSOs, based on our findings, are summarised in the final column of Table 4, linked to the five cutback factors (Schmidt, Groeneveld, and Van de Walle 2017).

In the UK, the role of TSOs in delivering public services has been increasing (MacMillan 2010; Rees and Mullins 2016) and this is also part of a wider international trend associated with co-production and NPM (Pestoff, Brandsen, and Verschuere 2012) as well as the wider impact of austerity (Ghin, Hansen, and Kristiansen 2017; Esteve et al. 2017). Therefore, instances, where TSOs are responsible for cutbacks to publicly funded front-line services, are becoming more common yet remain under-researched. It is within this context that we position our contribution.

We found that the NGBs, as front-line service deliverers, were at the end of a hierarchical cutback decision chain. We suggest this is a *context* that is increasingly common

for TSOs. Firstly, NGBs have little power in their principal-agent relationship with state bodies unless they have alternative sources of finance. UK Sport determined the *content* of the cuts and imposed them, and only NGB2 was able to continue any support for elite athletes.

Secondly, the NGBs were so remote from the decision-making process, they could not challenge it. They were uncertain over the magnitude of the cuts and planned on the basis that there was no precedent for a total cutback in funding. Their view on the eventual funding allocations was that ‘No Compromise’ was inconsistently applied, to their detriment, but they had no power to challenge UK Sport. Upon receiving the decision from UK Sport there was extremely limited time to implement the cutbacks, so immediacy was high. Issues of asymmetrical power relationships and remoteness from decision-making processes are likely to be experienced by other TSOs delivering public services.

Thirdly, the sporting case study used has identified noteworthy challenges for *leadership* in addressing the cutback challenges. Some of the issues are context specific, such as the complexities of the relationships between Great Britain and home nation NGBs, yet other findings are more relevant to other TSOs. For example, the finding that service users blamed the NGB leadership more than organisations higher up the cutback decision hierarchy is one which is consistent with the focus of blame falling on local service deliverers as found by Savi and Cepilovs (2017). TSO leaders may have to bear the brunt of the blame for cuts imposed from above.

Lastly, the combination of *context, content, process* and *leadership* factors in our case study led to *outcomes* from cutback which constrained future options. This leads to path dependency which negatively affects TSOs ability to recover from a cutback situation. We suggest that other TSOs may face similar challenges in managing cutbacks so they need to plan so as not to constrain their options for long-term recovery.

## **Practical and theoretical contribution, and further research**

The previous section has highlighted findings from our study which are relevant to TSOs facing cutback challenges, yet our results also have direct relevance within sports management. The ‘No Compromise’ funding framework remains an important topic, and at the heart of the decision-making process for how resources are allocated by UK Sport, so other NGBs may face similar severe cuts in the future. With NSOs in other countries subject to similar performance management regimes (Sam and Macris 2014), the findings are internationally relevant, given our analysis of the intricate links between elite and grassroots sport funding regimes, and also the management of organisational boundaries and restrictions in a cutback situation.

We have utilised a change management perspective on cutback based on Schmidt, Groeneveld, and Van de Walle’s (2017) five-factor framework. Within that framework, we have also drawn on and extended the application of theories from three areas, namely:

- Cutback management theory, such as the severity/time model of Jick and Murray (1982),
- Public management theory, such as the principal-agent relationship between public bodies and TSOs (Van Thiel 2016), and
- Change management theory, such as the ‘coping cycle’ (Carnall and By 2014).

The article has made a theoretical contribution with the focus on the service delivery end of the cutback decision hierarchy, enabling analysis of the role of TSOs in this position. The decision hierarchy could be applied more generally to track the timing and severity of cutback, using the five-factor framework (Schmidt, Groeneveld, and Van de Walle 2017) at different levels in the hierarchy. This would reveal the sequence of cutback strategies in any given context. For example, in our research, the highly targeted cutbacks imposed by UK Sport on NGBs were followed by across-the-board cutbacks by NGBs in our case study. The



cutback decision hierarchy could also be used to further investigate perceptions of accountability for imposed cutbacks, building on the findings of our study and Savi and Cepilovs (2017).

In future research, it is worth exploring situations where, like the NGBs, other TSOs delivering public services will be subject to cutback challenges. It is worth investigating their strategies for addressing these challenges, with the potential to stimulate productive debate amongst TSOs. Our case study may represent an example at the extreme end of a continuum in the severity and immediacy of cutback; hence other TSOs may have addressed less drastic situations in very different ways. Future research might also explore the cutback actions of private sector contractors delivering services in situations with a high degree of publicness, to enable further inter-sectoral comparisons. Finally, there will be examples of cutback challenges for cross-sectoral partnerships, perhaps arising from co-creation and co-production of services, where research may identify different cutback strategies.

### **Disclosure statement**

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**Table 1. Cutback Management Concepts**

<b>Concept</b>	<b>Aim of cut-back</b>	<b>Possible effects</b>
<i><b>Efficiency</b></i>	<ul style="list-style-type: none"> <li>• Cost savings <ul style="list-style-type: none"> <li>○ Cuts are focused on the areas where maximum savings can be achieved</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Long-term organisational effectiveness put at risk</li> <li>• Conflict throughout the organisation</li> </ul>
<i><b>Effectiveness</b></i>	<ul style="list-style-type: none"> <li>• Goal attainment <ul style="list-style-type: none"> <li>○ Re-distribution of resources to achieve priority goals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Powerful stakeholder(s) may dominate, with a short-term focus on appeasing them</li> <li>• Trade-offs are not considered</li> </ul>
<i><b>Equity</b></i>	<ul style="list-style-type: none"> <li>• Fairness <ul style="list-style-type: none"> <li>○ Cuts are equally applied to all areas of the organisation, to create a sense of 'sharing the burden'</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Trade-offs are ignored to build consensus</li> <li>• Short-term focus, based on consensus</li> </ul>

**Sources:** (Levine 1978, 1979; Behn 1980; Boyne 2003)



**Table 2. Characteristics of NGBs that may impact the cutback effort**

<b>Characteristic</b>	<b>Contextual implications for cutback</b>
<b><i>Publicness</i></b> <ul style="list-style-type: none"> <li>• A resource dependent relationship that exists between NGBs and funding agencies. Several NGBs receive over 80% of their total income from UK Sport and Sport England.</li> <li>• Funding from agencies is heavily ring-fenced, which means the funds have restrictions placed on them so that it can only be used for a particular purpose. This means it cannot be allocated as the NGB might wish – it creates a lack of organisational flexibility.</li> </ul>	<ul style="list-style-type: none"> <li>• NGBs have less control over their own mission and objectives. Cutback may be more difficult to achieve due to restrictions on managerial autonomy and lack of organisational flexibility related to NPM.</li> </ul>
<b><i>Policy framework of sport</i></b> <ul style="list-style-type: none"> <li>• ‘No Compromise’ can be seen as ineffectual as a mechanism to identify and halt decline as it generally provides a means of accountability rather than a measure of performance improvement.</li> <li>• Milestone targets provide an annual review of performance, but they promote accountability rather than performance improvement. NGBs have lost significant amounts of funding through these annual reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring and review processes do not help the NGBs to identify which areas to cutback within the organisation before the funding is removed.</li> </ul>
<b><i>Credibility of alternatives</i></b> <ul style="list-style-type: none"> <li>• Sports do not have credible alternatives to the incumbent NGBs no matter how badly they perform.</li> <li>• Stakeholders (players, coaches, volunteers) can either continue to engage with the poorly performing NGB or leave the sport entirely – their options are severely limited.</li> </ul>	<ul style="list-style-type: none"> <li>• Once funding is withdrawn, there might be little incentive/support to improve performance levels.</li> <li>• NGBs could potentially exist as ‘permanent failures’.</li> </ul>
<b><i>Diversity of stakeholders</i></b> <ul style="list-style-type: none"> <li>• Stakeholders exhibit different and complex wants and expectations that may enable (but could also inhibit) cutback efforts.</li> <li>• Stakeholders may hold resources needed to improve performance and may seek to influence decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholders will place different levels of importance on different criteria when deciding what services to eliminate.</li> <li>• Issues of power and negotiation.</li> </ul>
<b><i>Elite, grassroots, mass participation, leagues and clubs</i></b> <ul style="list-style-type: none"> <li>• Sport in the UK has a high dependency on voluntary sports clubs to implement policies concerned with grassroots, mass participation and elite sport.</li> <li>• Most sports within the UK have different NGBs for their elite and grassroots participation. These are separate entities which creates a lack of strategic planning within the sport development pathway.</li> </ul>	<ul style="list-style-type: none"> <li>• Working in partnerships leads to compromises over objectives due to power relationships between NGBs and sport clubs.</li> <li>• NGBs may be impeded/supported in their cutback efforts due to their increased reliance on sports clubs.</li> </ul>
<b><i>Culture and values</i></b> <ul style="list-style-type: none"> <li>• Winning, and an ability to win, is a central value in elite sport and it is the principal measure of performance.</li> <li>• When implementing cutbacks, NGB maybe forced to make paid, professional staff redundant.</li> <li>• Once professional staff leave the organisation, NGBs may begin to revert to the original structure and operations they adopted before they received increased funding.</li> </ul>	<ul style="list-style-type: none"> <li>• The professionalism that underpins NGBs operations may be eroded as cuts are enacted, resulting in an inability to draw/attract further funding.</li> </ul>
<b><i>Measurement of performance</i></b> <ul style="list-style-type: none"> <li>• A move away from rewarding outputs to funding outcomes and achievements.</li> <li>• Traditional norms and values of mass participation that drove performance within NGBs have been deprioritised compared to elite sport and the winning of medals.</li> </ul>	<ul style="list-style-type: none"> <li>• An incapacity to fund elite athletes will result in an inability to meet future targets. NGBs are unlikely to be able to access funding in the short-term.</li> </ul>

**Sources:** Meyer and Zucker 1989; Slack and Hinings 1992; Amis, Slack, and Hinings 2004; Smith 2004; Nichols et al. 2005; Pajunen 2006; Bayle and Robinson 2007; Boyne and Meier 2009; Smith and Stewart 2010; Trahms, Ndofo, and Sirmon 2013; Ferkins and Shilbury 2013.

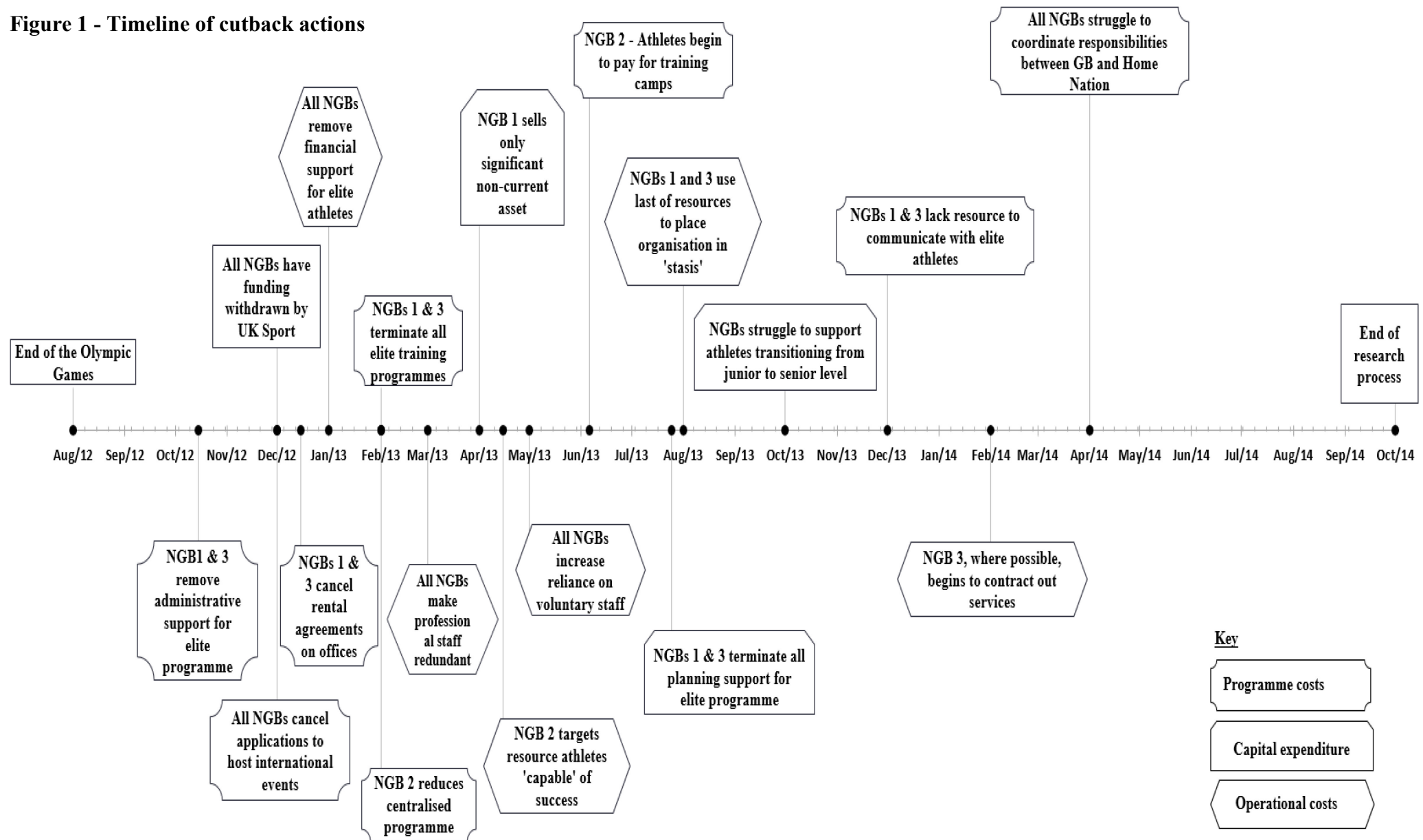
**Table 3. Themes and key quotes of cutback**

<u>Theme</u>	<u>Sub-themes and description</u>	<u>Sample quote</u>	<u>Applicability to specific NGB</u>
<b>Cutback implications – severity and immediacy</b>	<b>Cost-cutting</b> <ul style="list-style-type: none"> <li>Cutback is financially orientated and lacks strategic planning.</li> </ul>	'I think it was just a case of the money has run out, nobody is employed anymore, you know the lights weren't turned up, the door was locked and that was it and there was no real will or inclination to, you know, in other words, no one was responsible. There was no programme; there was no team.' (NGB 1, Ath)	NGB 1 NGB 2 NGB 3
	<b>Denial</b> <ul style="list-style-type: none"> <li>CEOs felt they would get at least some funding no matter what their performance.</li> </ul>	'We were hoping to get something like £350,000 / maximum £400,000 over 4 years. I mean really, it is not a huge amount out of the budget... But to get nothing has given us a real problem.' (NGB 3, CEO)	NGB 1 NGB 2 NGB 3
	<b>Inconsistent application of 'No Compromise'</b> <ul style="list-style-type: none"> <li>Some sports did not achieve targets and yet saw funding increases</li> </ul>	Referring to other NGBs who did not meet their targets but retained their funding: 'In my opinion, if UK Sport are going to be true to their word, they should have their funding cut because they failed to meet their targets, and it is not a difficult target with the amount of money that they have invested in them.' (NGB 3, CEO)	NGB 1 NGB 3
	<b>Severity</b> <ul style="list-style-type: none"> <li>Severe cuts lack planned solutions</li> </ul>	'How bad is it having to tell our performance director that "by the way, after the games, we are making you redundant." The players were up in arms.' (NGB 1, CEO)	NGB 1 NGB 3
	<b>Immediacy</b> <ul style="list-style-type: none"> <li>Immediate cuts lack planned solutions</li> </ul>	'There was an immediate readjustment of our whole staffing structure and budget going forward. This was targeted at staff on the Olympic programme because we don't have the budget to support that.' (NGB 2, CEO)	NGB 1 NGB 3
	<b>Abandonment</b> <ul style="list-style-type: none"> <li>Athletes suffered disproportionately from the cutbacks</li> </ul>	'If you make this decision [to terminate the elite programme] without even consulting like me as the captain or the squad in general then you'll be you know you'll be sort of disengaging this group of players that have delivered so much!' (NGB 1, Ath)	NGB 1 NGB 3
	<b>Lack of credibility of response</b> <ul style="list-style-type: none"> <li>Athletes needed to see believable credibility in actions, not tokenism</li> </ul>	'The programme now lacks the professionalism we had before the funding cut. From the Olympics those 12 guys that played as a team, have all this knowledge, played at the highest for 5 years and in most cases were mid-twenties and not even at their peak, there are probably only 2 guys still playing professionally.' (NGB 3, Ath)	NGB 1 NGB 3
<b>Responsibilities for the elite programme</b>	<b>Lack of responsibility</b> <ul style="list-style-type: none"> <li>Home nation NGB avoided taking responsibility</li> </ul>	'There was no support from the home nations. They felt they didn't have to commit anything financially because they had no responsibility towards the programme, so they didn't really put any support behind the team which seemed ridiculous.' (NGB 3, Ath)	NGB 1 NGB 2 NGB 3
	<b>Lack of communication</b> <ul style="list-style-type: none"> <li>Cutbacks cause a breakdown in communication</li> </ul>	'You would have thought somebody at least would have taken it upon themselves to say, "ok guys this is a bit of a shit situation. Here are the facts, we can't really do much about this at the moment, (inaudible), you are on your own but you know to get in touch and we will support you in the best way we can," but no one did that.' (NGB 3, Ath)	NGB 1 NGB 3
	<b>Lack of cooperation</b> <ul style="list-style-type: none"> <li>A lack of cooperation and coordination</li> </ul>	'They never ever worked together. I mean in the five years that we were with the British team never once did they work together, not what I could see anyway. There was no coordination, there was no knowledge sharing across the two organisations.' (NGB 3, Ath)	NGB 1 NGB 2 NGB 3
	<b>Inflexible funding</b> <ul style="list-style-type: none"> <li>Cutbacks focused on elite as Sport England funding heavily ring-fenced</li> </ul>	'They had a federation up until a few years ago, so they are quite behind and then [named sport] England is doing nothing at an elite senior level. At sort of talented/elite junior level, so I would call that under 21 and below they are still putting up teams because those teams I think they are justifying funding through Sport England grants' (NGB 3, Ath)	NGB 1 NGB 2 NGB 3
	<b>Operations</b> <ul style="list-style-type: none"> <li>Cutback focuses on operational issues</li> </ul>	'It was more volunteer-based, and they didn't make decisions that were [at a] high level and were more focused on operational issues, rather than the long-term development of the sport.' (NGB 2, Ath)	NGB 1 NGB 2 NGB 3

**Table 4. Summary of cutback themes and challenges for TSO's, related to the cutback management framework (Schmidt et al. 2017)**

<b><u>Cutback factor</u></b>	<b><u>Cutback sub-themes from our study</u></b>	<b><u>Challenges for TSOs in public service cutback management</u></b>
Context	<ul style="list-style-type: none"> <li>• Inconsistent application of 'No Compromise'</li> <li>• Inflexible funding</li> <li>• Other characteristics of NGBs from Table 2</li> </ul>	<ul style="list-style-type: none"> <li>• TSOs are often delivering frontline public services, at the end of a hierarchical cutback decision chain, which is subject to policies over which the TSOs have little or no control</li> </ul>
Content	<ul style="list-style-type: none"> <li>• Cost-cutting</li> <li>• Severity</li> <li>• Operations</li> </ul>	<ul style="list-style-type: none"> <li>• TSOs are likely to have targeted cuts inflicted on them, because of asymmetric principal-agency power relationships</li> </ul>
Process	<ul style="list-style-type: none"> <li>• Immediacy</li> <li>• Lack of communication</li> </ul>	<ul style="list-style-type: none"> <li>• TSOs may be late to find out the magnitude of the cuts because they are isolated from decision-making processes</li> </ul>
Leadership	<ul style="list-style-type: none"> <li>• Denial</li> <li>• Abandonment</li> <li>• Lack of responsibility</li> <li>• Lack of credibility of response</li> <li>• Lack of cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Beneficiaries of services blame cuts on TSOs as delivery agencies, rather than the organisations imposing cuts higher up the cutback decision hierarchy</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>• Path dependency</li> </ul>	<ul style="list-style-type: none"> <li>• Cutback actions which leave options open for a longer-term turnaround are often difficult or impossible for TSOs to achieve.</li> </ul>

**Figure 1 - Timeline of cutback actions**



**Source:** Key adapted from Raudla et al. (2015, 443)